


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

March 28, 2012

MEMORANDUM

To: Mrs. Deann M. Collins, Principal  
Montgomery Knolls Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
June 1, 2009, through January 31, 2012

This audit report presents the results of our examination of the financial records, reports, and internal accounting controls relating to the Independent Activity Funds (IAF) for your school for the period designated above. The examination was made to evaluate the adequacy of accountability over these funds, compliance with applicable Montgomery County Public Schools (MCPS) policies and procedures, and effectiveness of IAF management.

In our meeting on February 23, 2012, with you and Mrs. Lillian Gascon, administrative secretary, we reviewed conditions described in our previous report dated May 31, 2009, and the status of present conditions. Our findings and recommendations appear below.

Findings and Recommendations

MCPS Form 280-54, *Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (see MCPS Financial Manual, p. 20-5). The purpose of each disbursement must be fully explained on this form in order to properly record expenditures in appropriate accounts, and to ensure that expenditures comply with IAF requirements. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our random sample of disbursements, we found prior approval was not obtained when required for most purchases. Many disbursements did not have adequate documentation to fully explain the reason for the expenditure, and invoices were not always signed by the receiver. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought, so that invoices or receipts bear a date subsequent to the approval date, and that complete documentation be attached to fully explain the reason for the purchase.

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. Although the sponsors are now submitting fund raiser request and completion reports, most forms were not properly completed so that results could be evaluated. Most completion reports did not include the total number of items for sale, selling prices, or remaining inventories, thus it was not possible to determine whether all sums collected were remitted to the administrative secretary. Following internal control procedures provides for

accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event.

Analysis of the school checking account showed consecutive months when the balance exceeds immediate needs. Keeping high balances in the checking account limits the amount of interest the school could be earning. The principal is responsible for ensuring that funds in excess of current needs are invested in a manner that will earn a reasonable rate of return. A better use of the excess funds is to deposit them in the MCPS Centralized Investment Fund to maximize interest income. When needed to cover expenses, these funds are available for prompt return to the school (see MCPS Finance Manual, p. 7-5).

#### Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement;
- Receipt of goods or services must be confirmed prior to disbursement;
- Adequate documentation must be provided to support disbursements;
- Fundraiser completion reports prepared by sponsors must provide sufficient information to analyze results; and
- Centralized Investment Fund should be used to deposit excess funds.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff. In accordance with MCPS Regulation DIA-RA, *Accounting for Financial Operations/Independent Activity Funds*, please provide a response to the Internal Audit office within 30 days of this report, with a copy to Ms. Bronda L. Mills, community superintendent. The Office of School Performance will follow up on this audit.

RWP:RM:sd

Copy to:

Mr. Bowers  
Dr. Lacey  
Mr. Talley  
Ms. Mills  
Mrs. DeGraba  
Mrs. Milwit  
Mr. Doody

April 17, 2012



MEMORANDUM

TO: Mr. Robert W. Pisha, Supervisor  
MCPS Internal Audit

FROM: Mrs. Deann M. Collins, Principal  
Montgomery Knolls Elementary School

Subject: Summary of Actions to Address Audit Recommendations

In response to your recommendations based on the audit report of Independent Activity Funds (IAF) for the period of June 1, 2009 through January 31, 2012, below is a summary of actions that were or will be completed. This will ensure that Montgomery Knolls Elementary School (MKES) is in compliance with Montgomery County Public Schools (MCPS) IAF policies and procedures.

Summary of Actions

- Prior approval by the principal is required for every purchase. A Request for Purchase Form (MCPS Form 280-54) must be fully completed, indicating the reason for the specific purchase and the appropriate account for disbursement. Original receipts must be attached to form 280-54 and are filed for the record. A copy of the receipt is also provided to the purchaser. As an upgrade, form 280-54 will also be used to document requests and disbursement of funds for field trips. There were no other issues to correct regarding the misuse of this form.
- A Signature Log has been created (see attachment) to ensure that receipts of goods and services are confirmed prior to disbursement. The log includes: the date receipts were submitted for disbursement; a list of items purchased and a signature from the purchaser; the check number and date of when it was given to the purchaser; and the signature and date from the purchaser, to note that he/she received their reimbursement.
- In order to be in compliance with the proper disbursement of MCPS and IAF funds, a memo was created (see attachment) and distributed to all MKES staff. It explains the procedures for the purchase and reimbursement of goods and services.
- To comply with the expectation of evaluating fundraisers, sponsors will be given a deadline for submitting a fundraiser request and for completing a fundraiser report. Completed reports will include the total numbers of items for sale and selling prices or remaining inventories, to determine whether all sums collected were properly recorded.

- To ensure that IAF funds in excess of current needs are invested in a manner that will earn a reasonable rate of return, such excess funds will be deposited in the MCPS Centralized Investment Fund. During my bookkeeper's visit in May, we will discuss an appropriate amount to deposit and transfer the funds to Centralized Investment Fund.

We appreciate your visit and feedback during the audit.

Cc: Ms. Bronda Mills, Community Superintendent  
Lillian Gascon, MKES Financial Agent  
Lois Violo, Visiting Bookkeeper